
Section 1

Introduction

This report presents statistical estimates based on a stratified sample of approximately 94,000 unaudited returns selected from the nearly 4.7 million active corporate returns filed for the 1997 Income Year (defined to include accounting periods ending July 1997 through June 1998).

The report is divided into 6 sections. The first section provides statistics summarizing overall corporate activity for Income Year 1997. Section 2 discusses changes in laws and regulations between this report and that for Income Year 1996. Section 3 describes in detail the sample of income tax returns upon which the statistics were based, as well as the method of estimation used, the sampling variability of the data, and other limitations.

Section 4 presents basic tables that contain detailed statistics on 1997 assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data. These statistics are presented by industry, asset size, business receipts size, form type, accounting period ended, and other selected classifiers. Section 5 contains detailed explanations of the terms used in the report. In most instances, the explanations include definitions of terms used as well as adjustments made in preparing the statistics and any limitations inherent in the data. Section 6 consists of the return forms.

The statistics in this report (which provides detailed information featured by selected major industries and all industrial divisions by specific categories) differs from the 1997 Corporation Source Book of Statistics of Income (which provides information by minor, major and industrial industries by size of total assets for balance sheet, income statement, tax, and selected other items). This report also provides additional detail on the data contained in the *Statistics of Income Bulletin*, Volume 20, Number 1, Summer 2000.

Overall Corporate Summary

Figure A presents corporation summary statistics for Income Years 1996 and 1997 for number of returns, total assets, total receipts, net income (less

deficit), income subject to tax, total income tax before credits, and total income tax after credits. The total number of returns increased approximately 1.7 percent from 1996 to 1997.

Total assets reached a new high of \$33.0 trillion which was an increase of 15.3 percent from the prior year. Total receipts rose 7.0 percent from \$15.5 trillion to \$16.6 trillion. Net income (less deficit) rose 13.5 percent from \$806.5 billion to \$915.4 billion between 1996 and 1997. After dropping in 1990 and 1991, net income (less deficit) has been increasing since 1992. Income subject to tax rose by 6.9 percent to \$683.8 billion between 1996 and 1997. Total income tax before credits rose 7.0 percent above the amount reported in 1996, increasing from \$223.7 billion to \$239.4 billion. Total income tax after credits increased 7.9 percent from \$170.6 billion to \$184.2 billion.

The number of returns with total assets of \$250 million or more represented less than one percent of the total number of returns and 86.5 percent of total assets compared to 85.0 percent in 1996. The 9,017 returns for 1997 accounted for 56.3 percent of the total receipts; 79.7 percent of net income (less deficit); 80.4 percent of income subject to tax; 81.7 percent of total income tax before credits; and 77.9 percent of total income tax after credits.

Activities Covered

The estimates in this report encompass corporate business activities in the United States as well as certain foreign activities as reported on returns of domestic corporations, and foreign corporations with U.S. business activities. The term domestic corporation refers to companies incorporated in the United States, but does not necessarily imply that all their activities are domestic. For instance, data for a U.S. corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries and, to a certain extent, their undistributed earnings. The effect of foreign activity on the statistics varies by type of industry and by size of assets. Income from foreign activity is reflected to a greater extent in manufacturing industries than other industries. Also, foreign activity is almost totally concentrated among returns with assets of \$250 million or more [1].

George Contos, Janice Washington, and Patrice Treubert were responsible for the overall production of this report, which was prepared under the direction of Marty Shiley, Chief, Corporation Returns Analysis Section.

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Figure A. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Asset: Income Years 1996 and 1997

(All figures are estimates based on samples--money amounts are in thousands of dollars and size of total assets are in whole dollars)

| Year and size of total assets | Number of returns | Total assets | Total receipts | Net income (less deficit) ¹ | Income subject to tax ² | Total income tax before credits ³ | Total income tax after credits ⁴ |
|----------------------------------------|-------------------|-----------------------|-----------------------|----------------------------------------|------------------------------------|----------------------------------------------|---------------------------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1996 | | | | | | | |
| Total..... | 4,631,370 | 28,642,263,127 | 15,525,718,006 | 806,484,990 | 639,839,995 | 223,712,985 | 170,620,945 |
| Zero assets..... | 280,085 | - | 251,959,294 | 1,979,653 | 7,098,585 | 2,499,266 | 2,185,299 |
| \$1 under \$100,000..... | 2,416,663 | 74,278,016 | 514,856,787 | 11,889,169 | 2,971,948 | 557,469 | 547,081 |
| \$100,000 under \$250,000..... | 747,304 | 120,799,950 | 417,631,239 | 7,414,962 | 3,774,144 | 712,360 | 692,282 |
| \$250,000 under \$500,000..... | 440,914 | 155,632,038 | 415,937,716 | 8,546,476 | 4,537,415 | 933,622 | 915,638 |
| \$500,000 under \$1,000,000..... | 308,318 | 217,310,542 | 503,321,320 | 9,046,819 | 5,605,168 | 1,303,840 | 1,268,082 |
| \$1,000,000 under \$5,000,000..... | 322,522 | 678,420,830 | 1,485,421,010 | 26,846,443 | 17,207,696 | 5,309,068 | 5,130,557 |
| \$5,000,000 under \$10,000,000..... | 48,348 | 335,040,455 | 718,829,947 | 13,561,685 | 9,016,216 | 3,071,218 | 2,964,944 |
| \$10,000,000 under \$25,000,000..... | 30,339 | 469,727,884 | 822,931,106 | 17,938,952 | 13,561,096 | 4,681,074 | 4,422,604 |
| \$25,000,000 under \$50,000,000..... | 12,592 | 445,401,400 | 534,350,265 | 12,185,409 | 12,278,948 | 4,297,974 | 3,997,165 |
| \$50,000,000 under \$100,000,000..... | 8,475 | 602,367,412 | 505,390,049 | 17,390,413 | 16,289,320 | 5,783,454 | 5,242,027 |
| \$100,000,000 under \$250,000,000..... | 7,597 | 1,198,456,165 | 741,012,445 | 34,117,070 | 28,886,085 | 10,206,058 | 9,018,812 |
| \$250,000,000 or more..... | 8,212 | 24,344,828,435 | 8,614,076,827 | 645,567,938 | 518,613,373 | 184,357,580 | 134,236,455 |
| 1997 | | | | | | | |
| Total..... | 4,710,083 | 33,029,652,126 | 16,609,707,302 | 915,396,637 | 683,792,847 | 239,394,206 | 184,175,993 |
| Zero assets..... | 307,594 | - | 354,673,657 | 12,008,702 | 15,377,116 | 5,465,942 | 4,796,277 |
| \$1 under \$100,000..... | 2,430,785 | 73,543,332 | 515,720,884 | 13,641,947 | 2,788,014 | 539,155 | 532,663 |
| \$100,000 under \$250,000..... | 744,661 | 120,996,350 | 424,951,652 | 8,009,111 | 3,516,403 | 668,668 | 652,723 |
| \$250,000 under \$500,000..... | 456,592 | 162,093,930 | 441,725,598 | 9,890,987 | 4,608,963 | 965,546 | 945,346 |
| \$500,000 under \$1,000,000..... | 312,191 | 219,605,797 | 493,050,374 | 10,611,644 | 5,553,531 | 1,307,097 | 1,271,539 |
| \$1,000,000 under \$5,000,000..... | 334,659 | 704,731,449 | 1,533,829,265 | 28,327,126 | 18,182,481 | 5,605,231 | 5,429,675 |
| \$5,000,000 under \$10,000,000..... | 53,352 | 370,623,001 | 785,614,425 | 16,449,151 | 9,230,061 | 3,172,316 | 3,044,638 |
| \$10,000,000 under \$25,000,000..... | 31,765 | 491,228,411 | 854,490,485 | 18,137,623 | 13,758,262 | 4,745,949 | 4,502,503 |
| \$25,000,000 under \$50,000,000..... | 12,734 | 449,482,837 | 542,179,317 | 14,430,213 | 12,832,109 | 4,477,624 | 4,176,002 |
| \$50,000,000 under \$100,000,000..... | 8,732 | 620,938,766 | 534,328,542 | 17,516,526 | 16,822,152 | 5,893,829 | 5,398,875 |
| \$100,000,000 under \$250,000,000..... | 7,998 | 1,261,938,943 | 779,785,500 | 36,422,219 | 31,364,198 | 11,049,952 | 9,905,916 |
| \$250,000,000 or more..... | 9,017 | 28,554,469,312 | 9,349,357,602 | 729,951,387 | 549,759,557 | 195,502,897 | 143,519,835 |

¹ Includes taxable income before net operating loss deduction and special deductions.

² Includes taxable income less net operating loss deduction and special deductions.

³ Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax, excess net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from line 4, Part I (Form 1120-RIC); and adjustments to income tax and total tax.

⁴ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business and prior-year minimum tax credits.

Notes: Detail may not add to total because of rounding. See text for explanation of terms and description of the sample and limitations of the data.

For foreign corporations (defined as those incorporated abroad) engaged in trade or business in the United States, only income that was considered effectively connected with the conduct of a trade or business in the United States was included in the statistics; any investment income from U.S. sources was excluded from the data.

Most foreign corporations are concentrated in the finance, insurance, and real estate industries. Other foreign corporations, incorporated abroad and not engaged in trade or business in the U.S., were liable for tax only on investment income from U.S. sources, and these returns were excluded from this report.

This report also contains data on S corporations, which are not generally taxable. More detailed information on S corporations is contained in: Wittman, Susan M. "S Corporation Returns, 1997" *Statistics of Income Bulletin*, Volume 19, Number 4, Spring 2000, pp. 42-80.

Section 6012 of the Internal Revenue Code required that all corporations, in existence at any time during the income year, file returns, regardless of whether they had income or not. This applied to active and inactive domestic corporations, unless they were expressly exempt from filing, as well as to active foreign corporations with insufficient taxes withheld at the source to satisfy their U.S. tax liability on income earned in the United States. However, inactive corporations have been excluded from these statistics. See Section 3 for more information on the sample.

In addition to legally defined corporations, the Internal Revenue Code recognized many types of businesses as corporations including: joint stock companies and unincorporated associations (such as business trusts, savings and loan associations, certain partnerships, mutual savings banks, and cooperative banks). These organizations possess characteristics typical of the corporate form, such as

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continuity of life, centralization of management apart from ownership, limited liability of owners, and transferability of shares of capital ownership.

Time Period Employed

The estimates in this report are based on data from returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ending during the span of months July 1997 through June 1998. This span, in effect, defines the income year in such a way that the noncalendar year accounting periods are centered at the calendar year ended in December.

There are 12 accounting periods covered in this report. Code section 441 specified that, in general, a taxpayer's accounting period ends on the last day of the month. There is a span of 23 months between the first-included accounting period, which began on August 1, 1996, and closed on July 31, 1997, and the start of the last-included accounting period, which began on July 1, 1997, and closed on June 30, 1998. This report, therefore, shows income received or expenses incurred during any or all of the months in the 23-month span. For balance sheet items, the report shows a corporation's position only at the end of its accounting period. Corporations were required by Code section 441 to file returns for the accounting period customarily used in keeping their books.

Figure B shows that calendar year returns made up 78.6 percent of the number of returns and 69.0 percent of net income (less deficit) for 1997. In addition, these returns account for 77.1 percent of the total assets, 69.7 percent of the total receipts, 74.3 percent of the income subject to tax, 74.7 percent of the total income tax before credits, and 72.9 percent of total income tax after credits. Corporation returns were usually required to file within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of 6 months. In addition to returns with accounting periods that spanned 12 months, the total number of active corporations includes returns with accounting periods of shorter duration. Such returns are referred to as part-year returns and were filed, for the most part, by continuing corporations changing their accounting periods, new corporations in existence less than 12 months, merging corporations, and liquidating corporations.

Notes and References

[1] For more detailed information, see Schwartz, Ruth, "Controlled Foreign Corporations, 1994," *Statistics of Income Bulletin*, Volume 18, Number 1, Summer 1998, pp. 109-130

Figure B. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, and Total Income Tax After Credits, by Accounting Periods for Income Year 1997

(All figures are estimates based on samples--money amounts are in thousands of dollars)

| Accounting Period Ended ¹ | Number of returns | Total assets | Total receipts | Net income (less deficit) ² | Income subject to tax ³ | Total income tax before credits ⁴ | Total Income tax after credit ⁵ |
|--------------------------------------|----------------------|-----------------------|-----------------------|----------------------------------------------|------------------------------------------|----------------------------------------------------|--------------------------------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Total..... | 4,710,083 | 33,029,652,126 | 16,609,707,302 | 915,396,637 | 683,792,847 | 239,394,206 | 184,175,993 |
| December 1997..... | 3,699,776 | 25,473,925,014 | 11,583,146,584 | 631,242,668 | 508,341,286 | 178,796,133 | 134,313,055 |
| Noncalendar Year Total..... | 1,010,306 | 7,555,727,113 | 5,026,560,718 | 284,153,969 | 175,451,562 | 60,598,073 | 49,862,938 |
| July 1997..... | 59,311 | 435,017,233 | 214,615,214 | 15,317,631 | 7,711,405 | 2,641,583 | 2,425,795 |
| August 1997..... | 60,683 | 477,564,953 | 258,110,962 | 18,618,519 | 8,589,891 | 2,935,305 | 2,586,775 |
| September 1997..... | 195,977 | 1,231,933,729 | 890,308,061 | 48,250,307 | 30,056,811 | 10,498,100 | 8,330,928 |
| October 1997..... | 90,328 | 1,032,487,160 | 422,660,494 | 38,954,508 | 12,964,646 | 4,620,594 | 3,476,020 |
| November 1997..... | 51,414 | 498,051,189 | 235,177,353 | 26,153,942 | 12,601,277 | 4,345,710 | 2,835,802 |
| January 1998..... | 50,963 | 551,621,430 | 698,585,237 | 29,336,069 | 25,598,922 | 8,879,828 | 8,443,150 |
| February 1998..... | 48,566 | 315,193,853 | 215,733,289 | 10,245,277 | 5,251,810 | 1,790,952 | 1,708,453 |
| March 1998..... | 127,003 | 1,071,696,296 | 702,505,345 | 27,713,698 | 20,327,556 | 6,999,070 | 6,384,375 |
| April 1998..... | 56,959 | 293,424,517 | 212,997,613 | 11,562,900 | 6,420,399 | 2,169,042 | 1,886,486 |
| May 1998..... | 64,138 | 406,047,784 | 324,165,025 | 18,507,503 | 10,789,982 | 3,722,072 | 3,122,844 |
| June 1998..... | 204,964 | 1,242,688,968 | 851,702,126 | 39,493,616 | 35,138,862 | 11,995,818 | 8,662,311 |

¹ Includes full and part-year returns.

² Includes taxable income before net operating loss deduction and special deductions.

³ Includes taxable income less net operating loss deduction and special deductions.

⁴ Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax, excessive net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from line 4, Part I (Form 1120-RIC); and adjustments to income tax and total tax.

⁵ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, and prior-year minimum tax credits.

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data".